FOR THE DISTRICT OF MONTANA BUTTE DIVISION

NICHOLAS DOUGLAS; TASHEKA BRYAN; JUNIOR HARRIS; MARCUS RICHARDS; STEPHANEY SMITH; and those similarly situated,

Plaintiffs.

-VS-

Civil Docket No. 18-62-BU-SEH

YELLOWSTONE CLUB OPERATIONS, LLC; and HOSPITALITY STAFFING SOLUTIONS, LLC,

Defendants.

TRANSCRIPT OF TELEPHONIC STATUS CONFERENCE PROCEEDINGS

Heard in Judge Haddon's Chambers
Paul G. Hatfield United States Courthouse
901 Front Street
Helena, Montana
September 3, 2020
2:08 p.m.

BEFORE THE HONORABLE SAM E. HADDON UNITED STATES DISTRICT JUDGE

TINA C. BRILZ, RPR, FCRR Freelance Court Reporter BRILZ COURT REPORTING, INC. 4956 Smallwood Court Helena, Montana 59601

Proceedings recorded by mechanical stenography, transcript produced by computer.

APPEARANCES:

PRESENT ON BEHALF OF THE PLAINTIFFS, NICHOLAS DOUGLAS; TASHEKA BRYAN; JUNIOR HARRIS; MARCUS RICHARDS; STEPHANEY SMITH; and those similarly situated:

MR. DAVID H. SELIGMAN Attorney at Law TOWARDS JUSTICE 1410 High Street, Suite 300 Denver, Colorado 80218 (Appearing via telephone)

and

MS. MARY JO LOWREY Attorney at Law LOWREY PARADY LEBSACK, LLC 1490 Lafayette Street, Suite 304 Denver, Colorado 80218 (Appearing via telephone)

and

MR. CHRISTOPHER C. YOUNG Attorney at Law YOUNG LAW OFFICE, PLLC P.O. Box 10247 Bozeman, Montana 59719 (Appearing via telephone)

PRESENT ON BEHALF OF THE DEFENDANT, YELLOWSTONE CLUB OPERATIONS, LLC:

MR. JEFFREY M. ROTH Attorney at Law CROWLEY FLECK PLLP - MISSOULA 305 South 4th Street East, Suite 100 P.O. Box 7099 Missoula, Montana 59807 (Appearing via telephone)

APPEARANCES CONTINUED:

PRESENT ON BEHALF OF THE DEFENDANT, HOSPITALITY STAFFING SOLUTIONS, LLC:

MS. LAUREN H. ZELDIN and MR. ROGER G. TRIM Attorneys at Law OGLETREE DEAKINS NASH SMOAK & STEWART, P.C. - DENVER 2000 South Colorado Boulevard Tower Three, Suite 900 Denver, Colorado 80222 (Appearing via telephone)

```
The following proceedings were had:
 1
 2
              THE COURT: Good afternoon, counsel.
 3
              (Several said "good afternoon.")
 4
              THE COURT: Counsel, I have a list that suggests we
 5
    have Ms. Lowrey, Mr. Christopher Young, Mr. David Seligman, and
6
 7
    Mr. Alexander Hood, Mr. Jeffrey Roth, and there are more;
    Mr. Roger Trim and Ms. Lauren Zeldin.
         Am I correct in those are the participants?
              MALE VOICE: That's correct, Your Honor.
10
              THE COURT: All right.
11
12
         And I understand, Mr. Seligman, Mr. Roth, and Ms. Zeldin
    will have the speaking roles. Again, am I correct?
13
              MS. ZELDIN: Yes, Your Honor.
14
              THE COURT: Then I will ask, counsel, if you are one
15
16
    of those who intends to speak, that when you commence a
17
    separate statement, that you identify yourself for the record
18
    so that Ms. Brilz, our reporter, will be able to know with
19
    certainty who is speaking. All right?
         Well, counsel, I asked for this conference, and I did so,
20
21
    because it appeared to the court to be appropriate and
    necessary as a result of a number of recent filings that have
22
23
    occurred in this particular case.
         The order that sets the conference is Docket Number 65.
24
25
    It was filed on August 31.
```

Prior to that filing, on February 4, the court issued an order that required certain submissions to be made to the court concerning factual matters and history matters in the case.

And that was, with some extensions, responded to with Docket Number 63, which was filed on August 24, characterized by title as an "Unopposed Motion For Preliminary Approval of Class Action Settlement" and other statements.

That was accompanied by a brief, which was Docket Number 64. The court reviewed those filings, and issued its order, Docket Number 66, which gave notice to everyone that the court would not consider the filings that had been made, presumably in response to the court's orders. In fact, did not comply with the court's order. And I denied the motion for that reason. Gave to the plaintiff an opportunity to resubmit the motion upon conditions that were outlined in the order.

The next development of significance, was on September 2, Docket Number 68, I think. And was entitled: "Supplemental Brief in Support of an Unopposed Motion to Settle," et cetera, et cetera.

We have a response ordered to be filed by the defendants to this document, Number 66. That response is due to be filed by September 18. And that's not yet been filed, so we don't have the benefit of whatever it may say.

We do have the materials that were filed yesterday, Docket Number 68.

We have undertaken as time has permitted, a review of those materials. They are, of course, similar to prior materials. They are voluminous in their content with the statistical data and other calculations compiled, I think, primarily by a statistician.

But our review within the time that's been available has allowed us to make some determinations about what were considered by the court to be deficiencies in prior filings.

We have -- for example, we've been able to determine that the wages that are said to have been received by the four categories of workers that fall within what was said to be the asserted class, that's both regular and overtime hours that wages that were received.

We have within those terms what the plaintiff asserts to be a so-called should-have-been-paid rate for wages for each of these four categories of employees, the bartenders, servers, cooks, and -- what was the fourth -- bartenders -- housekeepers.

And we do not have among those materials that have been provided to date, the total number of dollars that were not sent to the employees in the form of paychecks. But were, in fact, remitted to someone as service charges or amounts above the actual wages paid out to the employees in net wages. So we don't have that.

I think those numbers, or those amounts are characterized

variously in the papers as service charges. That's a label that's applied on occasion.

I also see in the papers that have been filed what are characterized as bonuses paid. I'm not sure if those are the -- intended to be the same numbers, or whether they are some sort of different calculation. But we have different titles applied to amounts over and above the wage rate that show up in these papers.

We don't have anything like a description of the formula that the employer used to divide up or calculate these -- what I would call add-ons or service charges.

We know what the hourly rate paid was. We know what the plaintiff says the hourly rate that should have been paid was. At least we have the plaintiffs' statement on that.

But, we don't have a formula or a method of computing here in chambers how the so-called service charges or tips or bonuses or whatever may have been applied to identify that classification of money, how those -- how those -- what the formula was that arrived at that number.

And we don't know, from what's available to the court, whether the entirety of these funds that are sometimes called service charges were turned over to the employees, that is, remitted to the employees, or whether some part of those funds that were not a part of the wage package were, in fact, withheld by the employer. Some part of dollars received by the

employer, were they or were they not withheld? And if so, why were they withheld?

And I will acknowledge to you, counsel, I remain unclear as to what label is to be applied to this fund of money that is a fund of money intended to cover matters other than a direct payment of wages.

Whether they are -- everyone's comfortable in calling them service charges, or whether some prefer to call them bonuses, or whether there's some other title that some one of the people involved in the case might prefer to call them. Whatever that title is, I don't think it's been agreed upon among the various participants. And I cannot tell you in this call just exactly what is said to be a service charge, as compared to what is said to be a bonus, as what is compared to be something else.

And another matter that we do not have available here from my review of the materials, we do not have a clear indication of how the plaintiffs arrived at what the plaintiffs assert to be the should-have-been-paid rate. The hourly rate that should have been paid to each of these four classes, or four groups of people that were in the -- that are in the putative class.

Is that a rate that was derived from contract? Written contract? Or verbal contract? Or is it a rate that was selected because it is something in the nature of an average of what was paid to other people in the employ there at Big Sky? It's unclear to me how that should-have-been-paid rate was

arrived at, number one. And number two, is it based upon what the plaintiffs assert to be contracts that existed between the several persons in the four groups and the employer.

I just can't answer that.

But what I can say, counsel, is that the large volume of material that's arrived here as of yesterday, is under review and will continue to be under review. But it has raised not as many questions as it answers, but it leaves, in its present form, the court with the fact of being somewhat uncertain about what some of these numbers were -- where they were -- how they were arrived at, where they come from, and what they were intended to apply to.

And I would ask us all to keep in mind that we have not at this point in this transaction, or this case, the court has not made any certification of any class, whether of a class asked for, or some other class.

And we've not issued any order that commits the court to any particular class definition, or even to assert or say that the court is prepared to declare a class action. That's not been done.

We have this assumption that there is a settlement of what is supposed to be a class action. But you don't have the benefit of any rulings of the court to back that up at this point.

We have other matters that are known from reading the

papers that have been filed, but we don't have any court approval of, for example, the fact that this is to be -- matter is to be settled for a million dollars. Nor do we have any address or approval of whether the court would agree to a \$250,000 fee for counsel.

A third item that is sought, but not agreed upon or ruled upon, is the request for a hundred thousand dollars to pay the five class representatives; \$20,000 apiece, as I recall the paperwork.

We don't have any approval of any particular amount of out-of-pocket costs that would be said to be a component of deductions from the \$1 million gross settlement.

And I don't have a clear picture, counsel, at this point, of how the parties would anticipate the mechanics of handling the settlement, if there is a settlement, how that's going to be handled.

We have some other matters I'll talk about here in a bit, including that if these people receive monies in settlement, I'm talking about not lawyers or -- the class representative settlement, presumably, would be wages or income that will have to be reported. The monies that the members of the class receive, which will have to be, I think, reported as income. And we don't have any formula yet in place as to how all of those details are going to be handled; how the individual members of the class will ultimately be paid; who is going to

be responsible for tax withholdings or other withholdings that may have to be made from those settlements. How that's going to be dealt with.

I assume from what we have read, that the ultimate settlement contemplates something in the nature of dividing up the net amount of money available for distribution to the members of the class or classes and prorating that equally among the 83 persons who make up the group. I'm not certain that that's what's intended. But that appears to be what is proposed. To use an example, we have 83 people in this class, each one of them is going to get one-eighty-third of whatever the fund available to be distributed will turn out to be.

That doesn't seem to have any direct relationship to the amount of loss that these persons may legitimately be entitled to claim otherwise.

That is, having been paid at a rate that was less than what they should have been paid, or that they expected to be paid, or thought they would be paid, or contracted to be paid.

And we -- by our calculation here in chambers, it appears that there is a substantial amount of money that would be in the common fund over and above the actual wages that weren't paid to these people that, presumably, would be allocated as a compensation to these people for unspecified damages.

I have no position or opinion on that as to whether those unspecified amounts would be treated as income, or whether they

would be treated as some sort of non-income compensation in the form of damages.

All I'm saying to you, counsel, is we've got a lot of unanswered questions here at this point.

And kind of a bottom line of where we are today, so that you'll understand the court's position, if we are going to bring this matter to conclusion by settlement, the court is going to have to be satisfied that it is, in the larger sense of things, fair to do so. And I am not at all convinced, based upon what's been presented to the court, that that concept of fairness pervades as the court might deem it necessary to pervade in order to get this case settled. We will do what we can within reason to help you get the case settled, if that's what the parties want to do.

But we will not undertake that course of action if it is going to sacrifice the legitimate interests of some part of the persons who are expected to receive the money from the settlement.

So, that's kind of where we are in my current assessment.

I have not reached any conclusion that the court is of the view that these class representatives are entitled to \$20,000 apiece for their work as class representatives.

I'm not saying that it's not justified. But I'm certainly not prepared at this point to buyoff on the proposition that five of these 83 people ought to collect \$20,000 apiece, when

the other 70-some odd would collect, obviously, a very substantially smaller amount of money.

We have made some preliminary calculations. Accepting the numbers provided to us that if the payouts were accomplished as requested, that is, to the lawyers' fees and the class representatives and others, the costs, we would have approximately \$635,000 to be distributed among the members of the class. That's over and above what's paid to the class representative, and over and above what would be allocated for attorneys' fees.

We have made or attempted to make some calculations of actual wage losses that are within the \$635,000 number, and have come up with an approximate figure of \$172,000 as wages not paid that the plaintiffs would assert should have been paid.

That leaves approximately \$460,000 of money that would be available for allocation to the members of the class, which, I presume, would be, at least in theory, to cover service charges, other potential damages that might be recovered by members of the class or individuals within the members -- within the class if the cases were to actually go to trial. It would be kind of a catch-all number that would cover amounts of claims over and above actual wage losses.

Our initial assessment, counsel, is that no matter what label you put on it, that these monies to be received are all

going to be classified as -- or likely to be classified as income, which means, of course, that the tax collectors are going to want to have their interest in such transactions addressed and taken care of.

And I don't read in the papers that have been provided to us as yet, a clear picture of how all of that administrative end of resolving the case would be taken care of and handled.

I certainly don't think it's a task to be assigned to the court. And I, for purposes of our discussion today, just want to alert you to these -- that question, among many others that I've raised in this call, are yet to be addressed, and ultimately, that will have to be resolved if we're going to settle this case, or if we're going to try it. It doesn't matter. These issues that we're talking about are issues that are real to the case itself and to the matters that are raised in the case. And I think it is unlikely that we can sweep any of them under the rug and not address them directly and resolve them.

So that's what I have to report to you, counsel. I welcome any comments that you want to make. But I will go back to the reality that we are waiting on response briefs that will be coming in here on or before September 18. And presumably, some of these matters will be addressed in the response briefs. And I would certainly continue to invite counsel to bring to the court's attention and brief any matters that you think are

necessary to assist the court in resolving this thing.

That is our objective. Our objective is to help you get this case ready for trial, if you want to try it. If you want to settle it, then we'll try to help you get it settled, consistent with whatever the parameters are that prevail in every class action or claimed to be class action lawsuit.

So that's where we are, counsel. I wanted you to have the benefit of the court's present thinking on all of this. And suggest that we all gear ourselves up for what may be a somewhat lengthy trek to get to the end of the process.

I welcome your comments.

MR. SELIGMAN: Your Honor, this is David Seligman for plaintiff.

So, I'd like to begin by stating that the plaintiffs believe that much of the information that the court is concerned about may be lacking. It's before the court, but we appreciate that --

THE COURT: Well, let me interrupt you right there, Mr. Seligman. I don't think it's the job of this court to wade through pages and pages and pages of compilations of data from some statistician and try to figure out what was intended.

That's not the job of the court. If it's there and it's discernible and we can find it with reasonable effort, we'll certainly undertake it. But I don't intend to assign staff here to spend hours and hours and hours poring over data that

the court has already reviewed to some extent and determined to be inadequate to answer the questions.

It may be a difference in approach. And we can attribute it to that if that is the case. But it will not be the job to be assumed by the court to look through hundreds of pages of data to try to find out what somebody was intending to convey.

MR. SELIGMAN: Of course, Your Honor.

And I didn't mean to suggest that. What I was going to say is that we appreciate that the filings are voluminous. We think that one thing that could be helpful for the court is for plaintiffs to submit a much more comprehensive declaration from the statistician. The statistician's declaration at Docket 64-8 includes, for example, the amounts of service charges paid to workers outside of the classes, the non-H2B workers, that were used as the amounts that service charges that should have been paid to the class members.

But, I think we can update it with a more comprehensive and conclusive declaration from the statistician. The parties would be able to walk you through precisely how those calculations were made, and what data was relied upon in making those calculations.

THE COURT: I certainly welcome all assistance that counsel want to provide. We will gladly receive that. And we'll endeavor to work, we trust, reasonably with it. But that doesn't translate into handing the court a three-inch stack of

papers, and say: "Judge, have a look. And when you've figured out what you think ought to happen, come tell us." That's not the approach we will take.

MR. SELIGMAN: Of course, Your Honor.

So I just want wanted to say, you identified the defendant has the opportunity to submit a responsive brief --

THE COURT: And they haven't done anything. The defendants have not submitted anything of substance to the court, as yet. Now, they're going to have the opportunity by the 18th of September to respond. And if we need more briefing after that, we can always order it.

But right now, I don't have anything from the defendants except what is characterized as an unopposed motion. Which one might read as saying everything that's in it is exactly as the defendants would agree it should be interpreted. I don't choose to do that, because I'm not certain that that's the defendants' position. And we don't want to be running off without a full knowledge of what's happening.

MR. SELIGMAN: Yes, Your Honor.

And so, I just wanted to identify that if the court was open to it, the plaintiffs believe that we can provide briefing and an updated declaration from the statistician that would much more clearly respond to some of the concerns that the court has identified today.

THE COURT: Well, I welcome that, counsel. I will

gladly accept all of the assistance that counsel feel they wish to provide. Because we have a collective responsibility, and that's to get this case resolved either by settlement or by trial on the merits, in a manner that's consistent with the rules we're all expected to operate under.

And that requires, in my view, openness and candor all around. Which means, from my standpoint, it means input from everyone. I don't get much from the -- that's helpful to the

everyone. I don't get much from the -- that's helpful to the court when I get nothing from the defendant, except the representation that whatever the plaintiff has said is unopposed. That may be accurate. And if that's accurate, then

MR. ROTH: Your Honor, if I may, Jeff Roth.

the defendant should say so. Defendants --

Your Honor, we'll -- we will -- pursuant to the court's order, we will submit a brief on or before the 18th that addresses the issues that the court has raised here, as well as in its written order to -- to address any questions -- we hope to address any questions the court may have, and to set forth the defendants' position on the issues that you've asked about.

THE COURT: Well, counsel --

MS. ZELDIN: We will do that, as well.

THE COURT: Yeah. Go ahead.

MS. ZELDIN: Thank you, Your Honor.

I was just stating we will submit a response, as well.

THE COURT: All right.

Very good.

1

2

3

4

5

6

7

8

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Well, I make an observation, counsel, which comes from not all of the experience that anyone can have. But I spent about 35 years as a practicing lawyer before I took on the job I have now. And both sides are faced with monumental tasks if the court were to reach the conclusion that this case cannot be appropriately managed as a class case, and that you're going to have to file 83 different lawsuits to get these controversies I haven't reached that conclusion. But at one resolved. level, it appears that there's going to be a request made of the court that all of these people be treated equally for purposes of some distribution. And that is not the case in terms of their work history. They are not in equal position one with the other. They are not one-size-fits-all in terms of the hours they work, or the rates at which they worked, or the jobs they performed.

And we'll look at all suggestions that are made to the court about how we handle that. But I see within the picture, the possibility that we've got 83 people, each with, basically, a different claim from the other 82.

And if we're going to be fair about this, we have to be concerned that we don't dump all of these people into a common pot and say: "We'll just mix them up and roll them out like chitlins." We're not going to do that, counsel. At least, I'm not going to cooperate in doing that if there's a better way to

avoid it.

Because I don't think that's the fair thing to do. And above all, we ought to be concerned about fairness in the resolution of this case.

MR. SELIGMAN: Your Honor, on that point -- and this is David Seligman for the plaintiffs. We're very happy to walk you through what we anticipate being the formula for disbursement.

THE COURT: I would welcome that, counsel, because it is missing from what I am looking at to this point, as I have read the papers. And maybe it's in papers that I haven't yet fully come to understand. But I expect to know that when we resolve this matter, if it is to be resolved as we're talking about.

MR. SELIGMAN: Yes, Your Honor.

It is spelled out in the settlement agreement attached as Exhibit 1 to the brief in support of motion for preliminary approval. The plaintiffs will, in a supplemental filing, spell out and identify for the court what the distribution plan is and talk to the court how it would operate in this case.

THE COURT: I think that is critical to have that.

Well, counsel, I am confident we can work all of this out with the cooperative effort among those who are involved. But I encourage everyone to keep an open mind about what may be required. And it may, in some instances, seem to you

individually or collectively, that you're being asked to do more than you think you ought to have to do. You may find yourself faced with that. But if it's the court's view that it's necessary, I'm likely to require it.

MR. SELIGMAN: Absolutely, Your Honor. And we appreciate that.

But the other thing that we can spell out more explicitly is that the motion before the court is one of issuance of notice under Rule 23(e)(1).

THE COURT: Yes.

MR. SELIGMAN: Although, we do have a plan for disbursement that we can identify for the court.

The question of the fairness of the distribution plan is, under Rule 23, to be analyzed, traditionally, under Rule 23(e)(2), which is that after notice has been provided, and class members had the opportunity to object or exclude themselves from the class.

So, I'm very happy to walk the court through and -- but, in addition, wanted to spell out a little bit more the procedural posture we're currently confronted with.

THE COURT: Well, I'm sure we'll try to follow -- you can count on that we will try to follow all of the requirements of the Rules of Civil Procedure in bringing this matter to conclusion. That will be done, to the extent that the court can participate in the process to get it done.

So . . .

But I think, counsel, for today, the most I can tell you is that there are a lot of unanswered questions here. First step in this process is to get a response from the defendants. And we'll see what comes from that. And that may answer some of the questions that the court has at this point.

It may generate other questions that will require another conference or similar to -- like this one or similar to it. Or it may require people to travel to Montana, and we'll have a courtroom hearing.

We are all faced with the dilemma that's come -- that's been visited upon us because of the corona virus, and we will continue to deal with that until that's lifted.

But, in the meantime, we'll do the best we can with what we have to work with.

So, I wanted to report to you on these matters. To leave it where we are, I think, is to await the materials that will come in from the defendant. We'll take another look and a further look at the papers that have been filed at that point. And we'll see what additional questions can be answered at that juncture.

And, if necessary and appropriate, create a list of what is yet to be resolved. And bit by bit, counsel, we will get this case resolved, if you want it settled.

Assuming we can make all the bits and pieces fit into the

```
appropriate mold.
 1
         Anything else you want to talk about today?
 2
                             Not for plaintiffs, Your Honor.
              MR. SELIGMAN:
 3
              THE COURT: Any of the defendants? You've been
 4
    noticeably silent throughout this process.
 5
              MR. ROTH: Your Honor, Jeff Roth.
                                                 Nothing here, Your
6
 7
    Honor.
         We will brief it by the 18th.
8
              THE COURT: All right.
9
         Well, counsel --
10
              MS. ZELDIN: This is Lauren Zeldin.
                                                    (Inaudible).
11
12
              THE COURT: Well, counsel, I will emphasize to all of
    you, if it's of any question, this is a court that works on the
13
    basis of the record.
14
         So, I encourage, if you want the court to take note of
15
    some activity, no matter what it is, I would recommend it be on
16
17
    the record, because you won't get anywhere trying to convince
18
    the court that you had some private conversation between
19
    counsel that resulted in some sort of an arrangement that's not
   written down. We won't be doing that.
20
         And for your information, counsel, if any lawyer in this
21
    case, and this rule applies in every case that is in our court,
22
    if any lawyer puts himself or herself in the position of having
23
    to be the equivalent of put under oath to enter into a swearing
24
25
    contest with some other lawyer, I will disqualify him or her
```

from the case immediately. And I'll disqualify everybody in 1 his or her firm. We will not have lawyers attempting to serve 2 the dual purpose of being witness and advocate in the same 3 4 case. And that's not a threat, counsel. It's just a reality of 5 the way this court works. 6 7 Anything else you want to talk about today? Hearing nothing, we're going to conclude the conference 8 and I look forward to getting the materials that will show up 9 here on or before the 18th. And we will be in touch as 10 appropriate, counsel. 11 12 Take care. MR. SELIGMAN: Thank you, Your Honor. 13 MS. ZELDIN: Thanks, Your Honor. 14 (The proceedings in this matter were adjourned at 15 2:47 p.m.) 16 17 CERTIFICATE 18 19 I certify that the foregoing is a correct transcript from 20 21 the record of proceedings in the above-entitled matter. /s/ Tina C. Brilz, RPR, FCRR 22 Dated this 7th day of September, 2020. 23 24 25